REAL GOODS
TRADING CORPORATION

The World's Largest & Finest Selection of Products for Energy Independence Since 1978

966 Mazzoni Street, Ukiah, CA 95482-3471

November 8, 1993

John Sumser
Executive Director
Whole Earth/Point Foundation
27 Gate Five Road
Sausalito CA 94965

[Wal 1st]

Dear John,

We are happy to propose Real Goods as your single source supplier for the Millennium Whole Earth Catalog and Whole Earth Reviews. We feel there is no other company that is more closely aligned with the history, philosophy and values of Whole Earth, nor is there another company that already has the appropriate level of infrastructure and customer service responsiveness to handle the job. We do not need to "ramp up" or rearrange any part of our operations in order to smoothly incorporate the handling of orders and the service of customers that you demand. It will simply be a welcome extension of what we already do well.

When John Schaeffer founded Real Goods in 1978, it's three stores in Mendocino County and Sonoma County were modeled on and virtually replicated the look and feel and product lines of the Whole Earth Truck Store in Menlo Park and the Whole Earth Access in Berkeley. From the very first issue, the Whole Earth Catalogs and CoEvolution Quarterlies were devoured and treasured and placed in holy shrines with burning candles and incense by both John and myself. We are your kith and kin from way back, and everything else aside, we would be personally honored to have a strong working relationship with you and the other folks there.

My own history goes back to seeing Stewart at a booth during a "Human Be-In" across from Stanford. I don't remember if he was handing out his "Where is a picture of the Whole Earth?" buttons or was already selling WECs. He was in fringed buckskin and had some kind of psychedelic symbol pasted to his forehead. I gradually became involved with some of the original Whole Earth folks, mainly Dick Raymond, founder of Briarpatch, and eventually served on the Whole Earth Truck Store Board of Directors. During that time I helped found and manage the Briarpatch Cooperative Market in Menlo Park, and my former partner, Paul Hawken, and I founded a branch of the Briarpatch Network there.

Business Office: 707/468-9292 Fax: 707/468-0301 Technical Assistance: 707/468-9214 Toll Free Orders: 800/762-7325

Printed on recycled paper with soy-based ink

When Paul and I started casting about for a business to do together, we seriously looked into purchasing Whole Earth Access. We decided to pass up that opportunity and went on to establish Smith & Hawken. Over the years I have maintained ties with Whole Earth, getting to know Art Kleiner, Kevin Kelly, J. Baldwin and others there when S&H moved to Mill Valley.

Anyway, the Whole Earth view of life is buried deeply in our hearts and you will find no group more compatible with your ideas and intentions than the folks here at Real Goods.

Now to the task at hand...

1. CUSTOMER SERVICE

We pride ourselves in the service to our customers. That is easy to say, and any company you ask will tell you the same thing. But saying and doing are very different. We don't have a Customer Service Department per se. ALL of our employees who work day-to-day with our customers are called Customer Service Representatives (CSRs), which includes phone answerers and order takers. We have a group of senior, longer-term employees we call Senior Customer Service Reps who handle the more complicated problems that need followup and tracking or special handling.

Most importantly, we offer a free 800 number for not only orders, but also for any customer service or technical information that is requested or required.

We have a much more varied product line and range than your run-of-the-mill mail order company. It demands training, knowledge and experience to handle everything from $8 batteries to $2,500 refrigerators to $30,000 solar installations. We are, of course, technically sophisticated in alternative energy products.

We offer 24 hour, 7 days-a-week service. Our own service days are Monday through Saturday, 5 am to 8 pm. When we are not here, we have an answering service in Healdsburg. They are a sophisticated service that works for several mail order companies and who are trained to take orders and catalog requests.

We have installed and operate state-of-the-art mail order processing software, called The Controller, purchased from Sigma/Micro of Indianapolis. It is also used by many other local and national mail order companies. It runs on an IBM RS 6000 mini-computer under the AIX (Unix) operating system. There are over 35 users, both terminals and PCs. We also have our PCs networked on a Novell network. We employ a fully trained data processing staff including a full-time Systems Administrator. EMail, spreadsheets, data bases, word processors and other software are utilized extensively by staff to run the business. We have also installed Macintoshes in our Catalog Production Department.

We have installed and operate a state-of-the-art Mitel Automatic Call Distribution and Monitoring system. This system distributes calls as they come in to the next operator in line and tracks numerous data for management monitoring and planning.

We currently fulfill orders from our Real Goods catalogs, the Real Goods News, the Real Goods Reader (book catalog) our Sourcebook and other mailings. We have just added another catalog, Earth Care Paper, which we purchased recently. Our mailings this year will total over 4,000,000 pieces and our sales over $10,000,000. Our systems are prepared and in place to handle a much larger volume of business.

We have a thriving overseas business and regularly ship to countries around the world.

2. MEASUREMENT AND REPORTING OF CUSTOMER SERVICE

Our philosophy of measurement and reporting is based on feedback and visibility loops. Instead of the computer collecting data and spitting out periodic reports that are analyzed in meetings, the idea is to have each department collect and track their daily results on worksheets that are then forwarded to upper management the following day. We have found that the daily collection and reporting of measurement data by departments, in and of itself, is a self-enforcing mechanism. By having clear standards set (such as "all orders shipped within 24 hours") and then daily collecting and tracking the data themselves that measures variance to standard, each department is the first to know how they are doing. They also know that upper management is interested and will see the daily results and will be communicating about their progress regularly. Clear standards and daily visible results, with periodic feedback that also includes other computer data, is the best way we have found to get results from staff and to meet the goals that we set for ourselves.

We make every effort to make visible early any potential problem that may arise. We track daily the number of in-process problems, returns, returns-to-vendor, address changes, catalog requests, etc. that are carried-over from one day to the next so we can see if we are beginning to get behind and need to throw resources into staying on top of it.

Our CSRs track the purpose of every call we receive on our 800 number and every comment our customers make, broken down into categories, including: orders (by hour), catalog requests, information requests, order status, backorder status, product problems, technical questions, and whether the call was transferred to a Senior Customer Service Rep, a Senior Product Specialist, or Technical Rep. Customer comments are broken down into 14 categories. Product problems are broken down into 15 categories and tracked. Our CSRs work in teams and track their success against other teams in terms of dollar sales, # of calls answered, and other data entry categories...all done in good fun and high spirits. We feel that in order to have great service, we must create an atmosphere of care and empathy...and that employees will not care about customers unless they in turn are cared for by the company. We make every effort, first of all, to hire people who already have a caring nature, and then, through a variety of communications and training, instill a spirit of

caring, cooperation and commitment. Various phrases and in-house posters will be found around the Customer Operations offices:

> REAL GOODS: Working hard...Having fun...Making a difference.
>
> **em-pa-thy**: the capacity of understanding, being aware of, being sensitive to, and vicariously experiencing the feelings, thoughts, and experience of another.
>
> QUALITY is never an accident; it is always the result of high intention, sincere effort, intelligent direction, and skillful execution.

In addition we periodically survey our customers and shareowners. You will find enclosed some of the survey forms and results.

Rather than attach a bunch of worksheets and reports for your perusal, I will list some of the data that we track daily...

Returns and Returns to Vendor: carryover from previous day; new; resolved; carryover at end of day.
Number of orders entered, not entered, shipped, not shipped.
Number of phone calls (hourly), number abandoned, abandonment rate, average time to answer
Percentage of unallocated source codes
Number of orders shipped complete, shipped partial, backorders and fill rate
Aging of mail orders, catalog requests, address corrections
Efficiencies of hours worked against orders received and shipped
Customer service problems: carryover from previous day; new; resolved; carryover at end of day

Of course, there are numerous other reports that we get from the mail order and phone system computers.

Our return policy is simple: "100% Satisfaction Guaranteed. Everything we sell in this catalog is unconditionally guaranteed for its normal life under standard use. If any product does not meet your expectations, for any reason, or no reason, just return it to us. We will replace it, refund the purchase price or credit your credit card, whichever you prefer."

We will include in **all** of our publications the promotion and subscription generation for the Whole Earth Review. Those publications and their current annual circulation are as follows: Real Goods Catalog: 3,000,000; Earth Care Catalog 400,000; Real Goods News: 500,000; Real Goods Reader: 150,000; Sourcebook: 50,000. Those numbers will increase substantially in the years ahead. In the Real Goods News, published 3x annually, which goes to our most devoted customers (and therefore, probably, your most likely prospects), we will devote a full page, once a year, to the Whole Earth Review, and include the subscription as a line on the order form.

We also offer to you *the free use of our entire customer data base* (currently 165,000 Buyers and 225,000 requesters) two times annually for the direct mail promotion of any Point Foundation promotion, solicitation or publication for the life of our agreement. We only ask that Point pay the tape or label production costs.

Sales of all MWEC and WER products will be tracked and each **new** customer generated by MWEC and WER will be coded. Real Goods will supply Point with a quarterly update of the MWEC and WER customer list.

3. PRODUCT AVAILABILITY

We aim for a minimum fill rate of over 90%...and a target of at least 95%. Right now we are running at 95%. We stock everything (approximately 98%) that we offer except for a very few items such as refrigerators that are drop shipped. We also follow industry rules by notifying customers when a product has been backordered over 30 days and make it easy for them to cancel the order.

4. DISTRIBUTION

We ship almost all orders within 24 hours. We have consistently kept the percentage of orders not shipped within 24 hours under 1%. We also offer a variety of Federal Express Overnight and other accelerated shipments, including rush orders arriving before 1 PM shipped same day and arriving the following day.

5. FEE

The following proposals are for discussion purposes only and should not be read as final proposals. We wish to have an on-going, working relationship with you, and will do whatever is necessary to negotiate terms that are acceptable to all.

We propose that Point completely control the rental of MWHC and WER names. Point will receive a quarterly update of new customers, and can use that to rent names as it sees fit, thus deriving all revenue generated by those names. Real Goods will not identify MWHC or WER names in it's own list rentals, but will simply make them a part of the Real Goods customer data base.

The value to us, in this proposition, is the acquisition of new customers. We would propose a fee based on the number of new customers we acquire, rather than basing it on a percentage of sales. This is, of course, negotiable. Our proposal is $3.50 paid to you for each new customer.

Open Questions

1. Can we add product order numbers to the "or Real Goods" line in catalog?
2. Do you know what average order has been running for your products?
3. How much control do we have over which items to carry? what percentage?
4. Can we have our 800 number placed at different locations in book?

Conclusion

By our two organizations working together we can give added value to your efforts, create various income streams for Point, and offer your readers access to the products you review at a single, well-organized and customer-oriented source. By simply adding Real Goods as the single source for your products, you will receive revenue from us for each new customer you generate...you will have free access to the most compatible and largest lists in the business for your promotions...you will be able to rent all the names generated to other companies and receive all the revenue...and the WER will be promoted regularly and free of charge in the most compatible and largest circulation catalogs available to you.

We are extremely stable financially having just raised $3.6 million, and will soon be listed on NASDAQ.

We look forward to a long-term and exciting relationship. We will certainly be proud to be associated with you, and we think that you will also be proud in your association with us.

Sincerely,

Dave Smith
Executive Vice President

Enclosures:
catalogs (see guarantees and service info)
Real Goods News
Recent Survey Results: Please keep confidential
WER 20th Anniversary article